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UNCLAS ROME 004533

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E.O. 12958: N/A

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SUBJECT: CONTINENTAL AIRLINES RECEIVES GOI LABOR SOLIDARITY PAYOUT

1. SUMMARY: THE GOI MINISTRY OF LABOR HAS CONFIRMED THAT CONTINENTAL AIRLINES IS RECEIVING A PAYMENT OF 82,509 EUROS (APPROXIMATELY USD 96,500) UNDER THE SOLIDARITY FUND ADMINISTERED BY ITALIAN REGIONAL LABOR MONITORING AUTHORITIES. IN COOPERATION WITH LABOR MINISTRY ADVISOR LINDA D'URSO, EMBOFFS HELPED SECURE FINAL APPROVAL AND ISSUANCE OF THE PAYMENT. END SUMMARY.

2. IN 2002, CONTINENTAL REDUCED EMPLOYEE WORKING HOURS AND THUS BECAME ELIGIBLE FOR THE SOLIDARITY FUND BENEFITS. THE FUND WAS ESTABLISHED IN DECEMBER 2001 AND WILL REMAIN ACTIVE UNTIL DECEMBER 2003.

3. ITALIAN LAW 236 OF JULY 1993 PERMITS A FIRM EXPERIENCING FINANCIAL DIFFICULTIES TO BENEFIT FROM A "SOLIDARITY FUND" IF THAT FIRM PRESERVES JOBS BY REDUCING EMPLOYEE WORKING HOURS RATHER THAN THE SIZE OF ITS WORKFORCE. TO COMPENSATE FOR THE RESULTING EXPENSE INCURRED, THE MINISTRY OF LABOR PAYS THE FIRM HALF THE LABOR COST OF THE REDUCED EMPLOYEE WORKING HOURS. OF THE MONEY PAID FROM THIS FUND, HALF IS EARMARKED DIRECTLY FOR WORKERS. THE COMPANY RECEIVES THE OTHER HALF, BUT CAN CHOOSE TO GIVE THE ENTIRE AMOUNT TO ITS EMPLOYEES. A COMPANY CAN BENEFIT FROM THE SOLIDARITY FUND FOR A MAXIMUM OF TWO YEARS.

4. CONTINENTAL SUBMITTED ITS CORRECTED DOCUMENTS SUPPORTING ITS REQUEST FOR SOLIDARITY FUNDS IN NOVEMBER 2002, ALTHOUGH THE REQUEST WAS NOT PROCESSED AND APPROVED UNTIL THE END OF THAT FISCAL YEAR. AS A RESULT, THE PAYMENT WAS REISSUED FOR FY 03 AND HAD TO CONFORM TO FY 03 BUDGET LIMITS.  
SEMBLER

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